

Hawaiian Gazette.

VOL XL No. 26

HONOLULU, T. H., FRIDAY, MARCH 31, 1905—SEMI-WEEKLY,

WHOLE 2691

REPORT OF COMMISSIONER JUDD ON PUBLIC SCHOOL DEPARTMENT

Yesterday morning the report of Mr. Albert F. Judd, who made an investigation of affairs in the school department as the personal representative of Governor Carter, was submitted to the Governor. The report, printed in full herewith, is a somewhat extended document, going at great length into the affairs of the Department of Education, with the final conclusion that there are irregularities of administration, and that Superintendent Atkinson has let matters in this regard get too largely into the hands of his subordinates.

Mr. Judd concludes that the Department, like an old and reliable business concern that has gone to seed, should be completely reorganized. He suggests, further, that while there is no criticism of honesty or methods of Secretary Rodgers, a younger and more energetic man could be profitably substituted in that position.

The report deals most harshly with Miss Rose Davison, school agent for Honolulu, whose method in relation to the cashing of warrants of men employed as laborers in the Department has left her conduct open to question, according to Mr. Judd. Furthermore, a direct recommendation is made that Miss Davison should be called to account by some competent authority in the matter of the warrant of one D. Kalimahana, a carpenter, working for the School Department. This warrant purports to have been signed by Kalimahana. Miss Davison, according to Mr. Judd, testified to the genuineness of the signature, whereas the commissioner himself expresses the opinion, upon strong evidence, that Kalimahana did not sign the paper at all.

When the report was submitted to Governor Carter yesterday he held a long consultation upon it with Mr. Judd, and almost immediately afterwards called Attorney-General Lorrin Andrews and Deputy Attorney-General Prosser into conference. It was stated at that time that the whole Judd report would be referred to the Attorney-General for his action. This, however, was not done.

Late in the afternoon, after the Governor had gone over the report very carefully, Kalimahana and Miss Rose Davison were sent for and were confronted in the Governor's office. Kalimahana told the Governor that Miss Davison signed this particular warrant at his request, his hand being sore at the time, and himself unable to write. He did not charge her with having received the money. Miss Davison, it is said, denied that she signed the warrant for him—or, at least, had no memory of the circumstance.

Governor Carter said later that he had not desired to make the Judd report public until Miss Davison had been given a chance to read that portion of it concerning herself, and to make any statement that she might desire about it.

At this confrontation, Miss Davison said that she could not say at that time whether she desired to make any statement or not. A little bit later the report was given out. It has not yet been referred to the Attorney-General's department, although that course may be taken today. Afterwards, it is entirely possible that the grand jury, which body meets next week, may take cognizance of some of the matters contained in the document. The text of the report follows:

COMMISSIONER JUDD'S REPORT.

Honolulu, March 29, 1905.
Honorable George R. Carter, Governor of Hawaii, Honolulu—

Dear Sir: The investigation into the "conduct of the Superintendent of Public Instruction, the Secretary of the Department of Public Instruction, and the School Agent (of Honolulu)," which by your letter of March 21, 1905, you asked me to undertake as your personal representative, I have concluded: In your letter you state: "I wish to know: First, if there has been any misapplication of Territorial funds on the part of or through the agency of any of them; second, if there have been any irregularities in the handling of funds, which perhaps do not constitute a misapplication of funds; third, whether or not they have performed their duties, consistent with sound principles of high public service."

You have allowed me to "conduct the proceedings in any way you see fit in order to get at the truth." With this latitude allowed me, I chose to conduct the investigation openly, and to thus afford the persons interested every opportunity to present such evidence and make such statements as they or their attorney should see fit to bring before me. Public sessions were held by me at the "Bungalows," in Honolulu, on March 22, 23 and 24, Messrs. Thilen and Creedon acting as reporters. At these sessions Mr. Atkinson, the Superintendent; Dr. Rodgers, the Secretary; Miss Davison; the School Agent, and their attorney, Mr. J. J. Dunne, were present, as were also members of the press, several of the Commissioners of Public Instruction, employees of the department, and four members of the public. Mr. Prosser of the Attorney General's Department also attended the sessions.

I conducted personally the examination of the various witnesses. Both Mr. Prosser and Mr. Dunne, from time to time, offered written suggestions, from which I asked further questions on various matters which each of them desired to have elucidated. The record of these proceedings contains statements of Mr. Atkinson, Dr. Rodgers, Miss Davison, Auditor Fisher and Deputy Auditor Meyers, and is submitted with this report.

In addition to this, I personally made an examination of the records of the office of the department, and asked Mr. J. O. Young to report to me concerning the details of certain matters, all of which appear in Mr. Young's letter to me, transmitted herewith.

Certain letters from Auditor Fisher, Dr. Rodgers and Professor Alexander, appended to this report, will be noticed later.

MISAPPLICATION OF FUNDS.
Concerning the possible misapplication of Territorial funds on the part of those under investigation, I can report only on the evidence appearing in

the transcript taken in public and the report of Mr. Young.

Concerning Mr. Atkinson and Dr. Rodgers, nothing has come to my attention which would even suggest the possibility of any breach of the trust reposed in them.

Miss Davison should be called upon by proper authority to explain the endorsements appearing on the back of voucher No. 8473. She stated that she made out the face of this bill. D. Kalimahana, a carpenter working for the department, is the creditor of the department on this voucher, and the endorsement purports to be from him to Miss Davison. She stated that Kalimahana was the "oldest man in the service and the man I rely on;" that the endorsement "David Kalimahana" looked like his handwriting; that "I have seen it so many times I hope I am familiar with it;" that "I think it is his signature. I would not have received that bill if it had not been his signature. I tell you what is the matter with David sometimes. He is a man that will take liquor, and he might be a little shaky. But it looks like his writing."

A comparison of this endorsement with several other endorsements on other vouchers purporting to have been made by "D. Kalimahana," convinces me beyond any doubt that the words "David Kalimahana" appearing on the endorsement on voucher No. 8473, to Miss Davison, were not written by Kalimahana.

I did not call before me the witnesses examined before the House Committee on Public Expenditures, but after giving Mr. Dunne copies of the vouchers used by that committee in their investigation, I examined Miss Davison and Mr. Atkinson relative thereto. Near the close of the investigation, Mr. Dunne suggested that "whether directly or indirectly, the imputation was contained in that report that a man would be employed on a specific job;" that he would work for a large number of days, then a bill for a large increased number of days would go through the usual machinery of the department, and that the covert insinuation was that the difference between the actual number of days worked and the ostensible number of days worked went into the pocket, presumably, of Miss Davison, and suggested that this matter should be fully exploited, and Miss Davison and the men themselves questioned about it.

From my examination of these vouchers, and the statement of Miss Davison concerning them, I could see no cause for such imputation, and so publicly stated.

I early came to the conclusion, after deciding to conduct the investigation publicly, to end matters as soon as Mr. Atkinson, Dr. Rodgers and Miss Davison had presented fully their per-

sonal statements, and that to proceed otherwise would, after several weeks of public session, inevitably result in an endless tangle, the outcome of which would be to defeat the ends of justice, if crime had been committed. It is perhaps unnecessary for me to point out that my powers in making this investigation were absolutely nil, as to the swearing of witnesses, or to compel their attendance or the production of documents, and that the functions of a grand jury cannot be exercised while the investigated are present with their attorney.

The Aki contract for work at the High School, appearing on voucher No. 10,697, which has been much talked of, should be investigated further. (This does not come within the "imputation" referred to by Mr. Dunne, being a specific contract, and not a pay-roll.) I considered it futile for me to attempt to do so, as it developed that Mr. Dunne had the affidavits of the laborers on that work, presumably denying the testimony they may have given before the House Committee, and that these laborers were regularly employed by Miss Davison in the department, either as janitors or carpenters and painters, some of whom she refers to as "my men." The presence of several of these men one morning receiving orders from Miss Davison on the steps of the department headquarters did not impress me favorably, nor did Miss Davison's demeanor at the time, nor her explanation afterwards remove that impression. The surrounding circumstances were such as to convince me that to go further than I did into the matter of these various contracts could result neither in the exposure of crime nor in the vindication of the parties most concerned. I respectfully suggest that any further investigation into the possible misapplication of the funds in the department be conducted by the Attorney-General, who, with the light shed on the situation from the House Committee report and the result of this report, can approach the problem in the usual manner.

IRREGULARITIES.

The irregularities which I have found

consist in lax business methods on the administrative side of the department's work, and an absence of sufficient checks on expenditures in the school district of Honolulu.

Miss Davison was in the habit of loaning money to the employees of the department, taking their I. O. U.'s therefor, making out their vouchers for them, having these vouchers endorsed to her, and the warrants for the vouchers issued in her own name, cashing the warrants and paying the men off, after deducting her I. O. U.'s. She stated also that she received no profit, either in the shape of discount or interest for this accommodation.

The Auditor states, in a letter received by me after the close of the public hearing, that he remonstrated repeatedly with Miss Davison concerning this custom. I refer you to Mr. Fisher's letter, herewith transmitted. No law was violated by this method of procedure, but it would seem that there was only one step further necessary to have a complete example of the use of public office for private ends; the situation may perhaps be described as culture, ready for the bacillus of graft.

From January 1, 1904, to January 31, 1905, there has been expended in Miss Davison's district under her supervision as school agent the sum of \$3,336.89 for repairs, and \$1,762.94 for furniture and fixtures, or altogether \$5,099.83. The vouchers show that whenever any contract was let, it was the custom to have the voucher read "to labor, so and so, as per verbal agreement."

Mr. Atkinson and Miss Davison both testified that they invariably conferred together before any work was let, but that no record was kept of these various agreements made with the contractors. The authorizations of the Superintendent to the other school agents in the territory all appear of record in the correspondence. Mr. Atkinson justified the system by saying that "we are not supposed to keep books by the audit law." It apparently was not thought necessary in the district of Honolulu to keep memoranda of these verbal agreements, nor any time books of those laborers work-

(Continued on Page 4.)

LATEST BY CABLE.

(ASSOCIATED PRESS CABLEGRAMS.)

LONDON, Mar. 31.—Minister Takahashi declares that as the present war will cost Japan \$550,000,000 it is not likely that she will waive an indemnity. She will certainly demand her expenses. The Russian assumption that a prolongation of the war would deplete Japan's resources is unfounded, as the country is making remarkable progress.

WAR WILL GO ON.

TOKIO, Mar. 31.—Peace rumors will not affect the attitude of the government. The newspapers are urging a vigorous prosecution of the war.

JAPANESE REINFORCEMENTS.

HARBIN, Mar. 31.—Heavy Japanese reinforcements are arriving. It is snowing in Manchuria.

AFTERNOON REPORT.

GUNSHU PASS, Mar. 30.—The Japanese have assumed the administration of government in Manchuria.

The Japanese have three lines of railroad communicating with Seoul. Fresh Japanese troops are arriving, to reinforce Marshal Oyama's army.

ST. PETERSBURG, Mar. 30.—It is understood that the Imperial Commission has decided to continue the war with Japan.

ST. PETERSBURG, Mar. 31.—It is reported that Alexieff will succeed the murdered Grand Duke Sergius as governor of Moscow.

THE CZAR UNEASY.

MOSCOW, Mar. 31.—It is said that the Czar will issue a rescript urging the necessity for haste in convening an assembly of the people. Numerous arrests of bomb-throwers and terrorists have been made, including two women.

SUPPRESSING REFORMS.

MOSCOW, Mar. 31.—A workingmen's association, which has been prominent in urging reforms in the government, has been suppressed by the police.

LONDON, Mar. 31.—China proposes reorganizing her army and recreating her navy so as to be able to defy Russia within ten years.

TANGIER, Mar. 31.—An elaborate reception is awaiting the Emperor of Germany.

LONDON, Mar. 31.—The newspapers regard the Kaiser's visit to Morocco as an unfriendly act in that it will stiffen the sultan's resistance to France and retard the Anglo-French agreement. The exchange of visits between the French and British fleets is hailed with satisfaction.

SAN FRANCISCO, Mar. 31.—Alexander O'Grady, an attorney-at-law, has been appointed chief of police of this city.

CINCINNATI, Mar. 31.—Morgan Smith and wife, the latter a sister of Nan Patterson, have been arrested. Smith was the fugitive witness in the Patterson case.

NEW YORK, Mar. 31.—Nan Patterson, Morgan Smith and the latter's wife have been indicted for conspiracy to murder.

WHEN IS A MAN DRUNK?

The looked-for statement by President Pinkham of the Board of Health was not forthcoming at last night's meeting of the Achi Committee of investigation into the recent trip to Molokai. Senators Dickey, Woods and Wilcox and Pinkham himself were all present at 7:30 the hour called for the meeting but it was nearly 8 o'clock when Senator Achi put in an appearance.

"Do you want to make any statement?" asked Achi of Pinkham as soon as the meeting came to order.

"I understood," said Pinkham, "that my statement was to be made in writing and I have not yet prepared it. I was telephoned only at 6 o'clock this evening that there was to be an investigation into the condition of affairs on the steamer Kinau on the trip to Kalaupapa."

"You wanted two days," replied Achi, "and you have had two days in which to prepare your statement."

"That's true," said Pinkham, "but I've been busy with other matters."

It was suggested that he might be ready with it by tomorrow night but on the request of Senator Woods the matter was postponed until Monday night as Woods has two committee meetings to attend meanwhile.

Then came the witnesses and in reading their evidence it is necessary to bear in mind that at a recent meeting of the committee, Supl. McVeigh had stated that the situation got out of hand at Molokai on account of the number of drunken persons who had landed from the Kinau and had done pretty much as they pleased.

William Savidge, clerk of the Senate, was first called. He had visited Kalaupapa on the 19th inst. and had gone ashore a little before noon. He saw a number of drunken people ashore, he did not count them, but there might have been about twenty. He saw drunks both aboard the Kinau and ashore. Some were not very drunk but were under the influence of liquor. He saw no fights nor any breach of the peace.

"Did you see any drunken person abuse any of the lepers?" asked Senator Woods.

"I did not," said Savidge. "The only liquor I saw ashore," he continued, "was a bottle of beer at McVeigh's and I drank that myself."

Representative Broad who was called said that he saw liquor at McVeigh's house but saw none landed from the Kinau. He saw a bottle of beer, a bottle of gin and some beer. Two Honolulu policemen were drinking at McVeigh's house. He saw no fighting. Outside McVeigh's house he saw a keg of beer on a handcart. Everything was quiet and he never heard Pinkham or McVeigh call on the police to keep order.

Broad stated positively that Capt. Naopala, the 1st mate and two sailors of the Kinau were drunk on the ship. Cross-examined by Pinkham—Broad said that when ashore he had shaken hands with several lepers, his uncle, his aunt and several of his friends. He had seen some lepers refuse to shake hands with "clean" visitors.

Stenographer Kearns of the House of Representatives, saw no fighting or drunkenness and stated his belief that it could not be true that half of the Honolulu visitors were drunk.

Pat Silva, Assistant Clerk of the Senate, said that he had been round McVeigh's all day but saw no drunks and no fights.

C. A. B. Brown, who was recalled, had seen a number of drunken people between McVeigh's house and the wharf. There was no trouble that he saw but there were several noisy men round. He only knew one by name, he was a young man named Carter. Brown flatly denied Fernandez's statement that he had given no permission to Brown to land. He had expressly applied for permission to Carlo Long and Fernandez for himself and his friend Austin, who had a kodak, had in Brown's presence asked Fernandez for permission to take the kodak ashore.

"Austin said to Fernandez 'I have a kodak. May I take it ashore if I do not take pictures of the people?'" said Brown, "and Fernandez said he might."

"And did he take any pictures of the people?" asked Woods.

"He did not," answered Brown. "He took two of Father Damien's church, two of Father Damien's grave, one of the Pall back of the settlement and one of the Kinau lying out in the bay."

"I'm very glad to have that matter cleared up," said Senator Dickey heartily.

D. Kalaupapa, Jr., was ashore but he saw no drunks and no fighting.

Charles Clarke, Sergeant-at-Arms of the Senate, did not go ashore from the Kinau. He saw others going ashore but none of them were drunk.

"When do you consider a man drunk?" asked Senator Dickey.

"When he can't move," answered the witness promptly and to that definition he clung.

Pinkham said that he wanted to have the two police officers who stood at the top of the gangway, present at Monday's meeting.

The meeting adjourned at 9:40.

AGENTS MUST PAY TAXES

In a decision written by Justice Hartwell, the Supreme Court yesterday sustained the Assessor's valuation of plantation agency contracts. The decision was unanimous, Judge De Bolt sitting in place of Justice Wilder.

The decision covers seven appeals of the assessor from the Tax Appeal Court's finding, in re the assessment of taxes of H. Hackfeld & Co., C. Brewer & Co., Castle & Cooke, W. G. Irwin & Co., Alexander & Baldwin, Theo. H. Davies & Co. and F. A. Schaefer & Co., plantation agents.

These are appeals by the tax assessor from the tax appeal court involving the assessor's valuation of plantation agency contracts. Some of the contracts are written, having definite terms; others are oral without definite date for termination. The tax appeal court held that although under the decision in Assessor v. C. Brewer & Co., 15 Haw. 36, the contracts are taxable within the meaning of the statute, they have under that decision no cash value when terminable at will or having a term of not more than one year.

The assessor valued the contracts by taking the plantation estimate of their crops for 1904, deducting 20 per cent for unforeseen contingencies, reckoning the proceeds at \$70 a ton and the agents' commissions at 1-1/2 per cent on sales. From these receipts he deducted 50 per cent for estimated expenses in connection with the contract and then assessed each contract at four times such net commissions, regarding all the contracts as 4-year contracts, all of the agents but Castle & Cooke having refused to allow him to see their contracts or to give any information about them.

Says the syllabus of the decision: "Plantation agency contracts, as held in C. Brewer & Co.'s case, 15 Haw. 36, are taxable by statute. They also have cash values which can be ascertained after ascertaining the plantations' condition and prospects and considering probable cost of production and price of sugar, being a similar estimate to that which a purchaser of sugar stocks makes in determining what he will pay for them."

Justice Hartwell writes the opinion of the Court. He says, in part: Upon the whole we think that while for various reasons it may not be true that every species and form of contract is taxable, these contracts have such a distinctive, established and valuable nature that they cannot be eliminated from the statute, and that their reasonably approximate cash value may be ascertained. Various methods of ascertaining a cash value for time contracts would be appropriate. One method would be to ascertain the present worth of the yearly profit for a term of years, which of course would decrease in amount with a lapse of each year of such term, and to make allowances for any special features that might exist. By applying such method of valuation, omitting from the calculation all incidental profits, considering solely those arising from commissions on sales, we consider that the assessor's valuation was not too high in respect of H. Hackfeld & Co., Ltd., (\$110,615.40); of Castle & Cooke, Ltd., (\$97,662.60); and of F. A. Schaefer & Co., (\$18,127.29). In those instances the method of valuing by obtaining the present worth of estimated annual profits for a term of years would bring the assessor's valuations well within results so reached, and we sustain those valuations. For various considerations presented in the cases, for instance, in respect of the McBryde contract of Theo. H. Davies & Co., Ltd., to which we attach no value, we reduce the assessor's valuations as follows: C. Brewer & Co., Ltd., to \$40,000; W. G. Irwin & Co., Ltd., to \$40,000; Alexander & Baldwin, Ltd., to \$35,000; Theo. H. Davies & Co., Ltd., to \$15,000.

The decisions of the tax appeal court are reversed and the assessor's valuations are sustained in the instances above mentioned and are reduced as above stated.

NO PROFIT IN CUT-RATE BEEF

At a meeting of the directors of the Metropolitan Meat Co., Ltd., held yesterday morning it was decided to increase the price of beef in the company's retail markets to the old rate, except in the case of customers who buy their meat for cash, when the present reduced rate will be charged. A discount also will be allowed to the credit customers who pay their bills before the tenth of the month following. The experiment of reducing the price of beef did not turn out as was expected, there being no increase in the consumption.

Irmgard in Stream.

The barkentine Irmgard, Captain Schmidt, arrived last night from San Francisco. She came into the harbor without waiting to be given pratique or to undergo the customs examination. The result is that the vessel is lying in the stream off Brewer's wharf and none of her men can come ashore until morning when the doctors will examine her.